REMARKS

In response to the Office Action dated November 16, 2006, claims 1, 2, 3, 4 and 8 have been amended. Claims 1-11 are in the case. Reexamination and reconsideration of the application, as amended, are requested.

The Office Action rejected claims 3-7 under 35 U.S.C. § 112, second paragraph as allegedly being indefinite.

In response, the Applicants have amended appropriate claims to overcome the rejection as suggested by the Examiner.

The Office Action rejected claims 1-11 under 35 U.S.C. § 103(a) as allegedly being unpatentable over Krsul et al. (U.S. Patent No. 5,839,119) in view of the Applicants' Background of the Invention.

The Applicants respectfully traverse this rejection in view of the amendments to the claims and the arguments below.

Specifically, the Applicants' newly amended claims now include that the past activities of the entity are kept private so that specific knowledge of the activities of the entity are unknown to third parties. In light of these amendments to the claims, the combination of Krsul et al. with the Applicants' Background of the Invention does **not** disclose all of the Applicants' features.

For example, Krsul et al. merely disclose a "...method of generating electronic monetary tokens that supports off-line transactions while preventing double-spending." Although "...the provider splits each electronic monetary token into two electronic token halves and associates with each the same serial number..." and the "...electronic token halves when combined recreate the electronic monetary token from which they were generated (see Abstract, FIGS. 4A and 4B and col. 2, lines 19-48 of Krsul et al.), Krsul et al. is still missing features of the Applicant's claimed invention.

Further, although the Examiner argued that the Applicants' Background disclosed

generating recommendations for an entity based on the entity's past activities, the Applicants' traverse this statement, but also have amended the claims to include features not disclosed by the cited references. Namely, the Background of the Applicants' invention discusses the problems and shortcomings of the prior systems by explicitly stating that "...an increasing number of consumers object to commercial enterprises and other third parties having specific knowledge of their on-line activities. Clearly, a consumer's desire for privacy conflicts with the desire of commercial enterprises' to be able to recommend additional services and products based on past activities by consumers... *Therefore, a need exists for techniques that allow the formulation of recommendations based on some degree of knowledge about a given entity's on-line activities, but that also provides the given entity with a corresponding degree of privacy.*" [*emphasis added*] (see the Applicants' specification at paragraphs [0004] and [0005] of U.S. Patent Publication No. 2003/0046198).

Thus, when taken in the proper context, Krsul et al. in combination with the Applicants' Background is clearly missing and teaches away from the Applicants' generating at least one recommendation based on the entity's past activities and an intersection of sets of activities associated with the entity's secret shares as an estimated activities list **and** controlling recommendation accuracy by modifying usage, number of activities and a size of a number of possible secret share sets for any given entity identity, **wherein the past activities of the entity are kept private so that specific knowledge of the activities of the entity are unknown to third parties** of claims 1, 2, 4 and 9.

In addition, Krsul et al. in combination with the Applicants' Background is missing and teaches away from the Applicants' claimed generating a set of recommendations based on the estimated activities list and providing the set of recommendations to the first entity **and** controlling recommendation accuracy by modifying usage, number of activities and a size of a number of possible secret share sets for any given entity identity, **wherein the past activities of the entity are kept private so that specific knowledge of the activities of the entity are unknown to third parties** of claims 3 and 8. Consequently, since Krsul et al. in combination with the Applicants' Background do **not** disclose the above argued features of the Applicants' claimed invention, the combination cannot render the claims obvious.

Since the Applicants' Background discussed the problems and shortcomings of the prior systems, the Background **should not** be considered together with the cited reference. This is because the Background made it clear that the features of the claimed invention solve problems and shortcomings of the prior art, which evidences a clear teaching away. In light of this statement in the Background that the features of the claimed invention solve problems and shortcomings of the prior art, if the Examiner were allowed to still use the Applicants' Background, it would amount to impermissible hindsight. It is well-settled in the law that impermissible hindsight occurs when knowledge and advantages from the Applicant's disclosure is used to recreate the Applicant's invention or statements showing teachings away from the invention are ignored. Crown Operations International, Ltd. v. Solutia, Inc., 289 F.3d 1367, 62 USPQ2d 1917 (Fed. Cir. 2002).

In particular, the combination of references and elements in a manner that reconstructs the Applicant's invention only with the benefit of **hindsight** is insufficient to present a prima facie case of obviousness. Bausch & Lomb, Inc. v. Barnes-Hind/Hydrocurve, Inc., 796 F.2d 443, 230 USPQ 416 (Fed. Cir. 1986). Therefore, hindsight should not be used to improperly conclude that the Applicant's Background taught or suggested a feature, especially when the Applicant's Background mentioned that that feature was missing, desirable or needed by the prior art, as is clearly the case here (see the Applicants' specification at paragraphs [0004] and [0005] of U.S. Patent Publication No. 2003/0046198).

Moreover, even if the references in question seem relatively similar "...**the opportunity to judge by hindsight is particularly tempting**. Consequently, the tests of whether to combine references need to be applied rigorously," especially when the Examiner uses a reference that does not explicitly disclose the exact elements of the invention, which is the case here. McGinley v. Franklin Sports Inc., 60 USPQ 2d 1001, 1008 (Fed. Cir. 2001). [emphasis added]. Since hindsight cannot be used to support the rejections, the combined cited references cannot render the Applicants' invention obvious and the rejection is improper and should be withdrawn. Bausch & Lomb, Inc. v. Barnes-Hind/Hydrocurve, Inc. In addition, as argued above, the failure of the cited references to disclose, suggest or provide motivation for the Applicant's claimed invention indicates a lack of a prima facie case of obviousness (MPEP 2143).

With regard to the rejections of the dependent claims, because these rejected claims depend from the above-argued respective independent claims, and they contain additional limitations that are patentably distinguishable over the cited references, these rejected dependent claims are also considered to be patentable (MPEP § 2143.03).

In view of the arguments and amendments set forth above, the Applicants respectfully submit that the rejected claims are in immediate condition for allowance. The Examiner is therefore respectfully requested to withdraw the outstanding claim rejections and to pass this application to issue. Additionally, in an effort to expedite and further the prosecution of the subject application, the Applicants kindly invite the Examiner to **telephone** the Applicants' attorney at **(818) 885-1575**. Please note that all correspondence should continue to be directed to:

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